

VZCZCXRO3204

OO RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN
RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHTA #2008/01 2821133
ZNR UUUUU ZZH CTNG RUEWCSE 6678 2821217...
O 081133Z OCT 08
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3546
INFO RUCNCIS/CIS COLLECTIVE 0676
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0078
RUEHKO/AMEMBASSY TOKYO 0788
RUEHIT/AMCONSUL ISTANBUL 0029
RUEHVEN/USMISSION USOSCE 1962
RUCNDT/USMISSION USUN NEW YORK 1910
RUEHNO/USMISSION USNATO 2247
RUEHBS/USEU BRUSSELS
RUEAIIA/CIA WASHDC
RHEFAAA/DIA WASHDC
RHEHNSC/NSC WASHDC 0233
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHDC 0155
RUCPDO/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHMFIUU/CDR USCENTCOM MACDILL AFB FL

UNCLAS SECTION 01 OF 02 ASTANA 002008

C O R R E C T E D COPY: DROPPED AN ADDRESSEE

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB/ESC

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [EPET](#) [EINV](#) [GG](#) [KZ](#)

SUBJECT: KAZAKHSTAN: KAZMUNAIGAS PRESIDENT DISCUSSES GEORGIA,
CRUDE TRANSPORT WITH AMBASSADOR STEVE MANN

ASTANA 00002008 001.3 OF 002

11. (U) Sensitive but unclassified. Not for public Internet.

12. (U) SUMMARY: KazMunaiGas (KMG) President Kairgeldy Kabyldin informed Eurasian Energy Diplomacy Coordinator Ambassador Steve Mann on October 6 that Kazakhstan remains committed to its strategic investments in Georgia. Kabyldin requested assistance in persuading Azerbaijan to grant access to the Baku-Supsa pipeline, and also confirmed that British Petroleum (BP) is the only consortium partner which has not agreed to expand the capacity of the Caspian Pipeline Consortium (CPC) pipeline. END SUMMARY.

CONTINUED COMMITMENT TO GEORGIA

13. (SBU) In an October 6 meeting, KazMunaiGas (KMG) President Kairgeldy Kabyldin emphasized to visiting Eurasian Energy Diplomacy Coordinator Ambassador Steve Mann that Kazakhstan's long-term strategic investments in Georgia were not adversely affected by the conflict in South Ossetia. He cited as examples KMG's decision to move forward with plans to expand the capacity of the Batumi oil terminal and explore the further development of the Baku-Tbilisi-Ceyhan (BTC) pipeline and rail infrastructure in Georgia. (NOTE: Regarding rumors that KMG intends to sell its KazTransGas-Tbilisi subsidiary, Kabyldin told the media on October 7 that KMG would be willing to consider such a move, but that everything would depend on what it was offered. END NOTE.)

HELP WANTED WITH BAKU-SUPSA

14. (SBU) Kabyldin reiterated Kazakhstan's support for diversification of energy transport routes, including transport via tanker from Aktau to Baku, but noted that even with multiple routes and the anticipated expansion of the Atyrau-Samara and Caspian Pipeline Consortium (CPC) pipelines, oil transportation capacity has become increasingly constrained for Kazakhstan. "We have big

transportation problems," he said. Kazakhstan plans to ship up to 10 million tons of crude annually through Atyrau-Samara and could ship up to an additional 5 million tons of TCO crude via the Baku-Supsa pipeline "right now," said Kabyldin. TCO currently pays more than \$35 per ton to transport oil by rail from Baku to Batumi, whereas it could send oil through the Baku-Supsa pipeline at approximately \$0.37 per barrel. Kabyldin said that KMG is prepared to buy the Baku-Supsa pipeline outright, or acquire shares in it, but the Government of Azerbaijan refuses to sell shares or grant access. (NOTE: The Baku-Supsa pipeline, which has a capacity of 145,000 barrels per day, is owned by the Azerbaijan International Operating Company (AIOC), the Azerbaijani national oil company SOCAR, and the Government of Georgia. END NOTE.)

15. (SBU) Kabyldin cited three main reasons why the Government of Azerbaijan has not agreed to grant access to Baku-Supsa: (1) AIOC is building up its terminal in Kulevi, Georgia, and thus wants crude to flow to Kulevi, not Supsa; (2) AIOC would have to incur significant costs to modernize the Baku-Supsa pipeline; and (3) the owners of the Cross-Caspian Middle East Petroleum corporation would lose revenue if oil was transported via Supsa instead of Batumi. Kabyldin asked for assistance from the U.S. government to persuade President Aliyev to grant access to Baku-Supsa. He said the only way to resolve this is to appeal directly to President Aliyev: "If you convince Aliyev, SOCAR will soon get the message." Kabyldin warned that if they cannot reach agreement with Azerbaijan on shipments from Baku onward, then their transportation options would be limited mainly to Russia. "Without Baku," he said, "there can be no policy of transportation diversification."

BP THE LONE HOLDOUT ON CPC EXPANSION

16. (SBU) According to Kabyldin, all of the CPC consortium members -- with the notable exception of BP -- have agreed to expand CPC capacity. "BP is giving us a headache," he said. (NOTE: BP has

ASTANA 00002008 002.3 OF 002

little upstream stake in CPC expansion and is apparently holding firm to a short-term, cost of capital position. END NOTE.) BP owns approximately 6% of CPC through its holdings in Lukarco and Kazakhstan Pipeline Ventures (KPV). Kabyldin said that KMG is prepared to purchase BP's share of KPV, but Lukoil is not as eager to purchase BP's share of Lukarco. Kabyldin maintained that Lukoil did not pay for its current share in Lukarco and thus would be reluctant to pay for additional Lukarco shares. (NOTE: Press reports have indicated that BP is asking for up to \$1 billion for its combined share in CPC. END NOTE). In any case, said Kabyldin, "the ball is squarely in BP's court."

17. (U) This cable was not/not cleared with Ambassador Mann.

HOAGLAND